

In 2018 the claim-related efforts made by IDGC of the South aimed at reducing the size of overdue receivables, including for power transmission services provided, achieved the following results:

1,586 lawsuits received positive court decisions for a total amount of claims of RUB 4,609.1 mn, including 378 lawsuits on claims for collection of receivables for power transmission services for a total amount of claims of RUB 4,314.4 mn;

87 lawsuits were withheld to recover receivables in the amount of RUB 1,188.7 mn, including 38 lawsuits on claims for collection of receivables for power transmission services for a total amount of claims of RUB 980.7 mn;

RUB 1,917.3 mn were received in the framework of the enforced collection of accounts receivable on submitted writs of execution, RUB 1,074 mn after receipt of the enforcement orders and prior to submitting them for execution, and RUB 5,907 mn as a result of voluntary payment, total financial result of RUB 3 mn in the form of cash received as part of the claim-related work amounted to RUB 8,898.6 mn;

For a comparison – in 2017:

782 lawsuits received positive court decisions for a total amount of claims of RUB 5,204.6 mn, including 245 lawsuits on claims for collection of receivables for power transmission services for a total amount of claims of RUB 4,977.5 mn;

83 lawsuits were withheld to recover receivables in the amount of RUB 1,225.5 mn, including 32 lawsuits on claims for collection of receivables for power transmission services for a total amount of claims of RUB 1,201.2 mn;

RUB 1,993.2 mn were received under legal collection of accounts receivable on submitted enforcement orders, and RUB 4,841,1 mn as a result of voluntary payment.

The coverage of overdue receivables with measures aimed at their reduction stands at a consistently high level and amounted to 92% as of December 31, 2018 (95% as of December 31, 2017), while a 3% decrease in the reporting year is related to suspensive terms of payment by guaranteed suppliers (Volgogradenergosbyt and PJSC Astrakhan Energy Sales Company) under off-the-meter consumption acts.

Among the results of the most important lawsuits proceeded in 2018, the following decisions allowed the repayment of overdue receivables, resolve differences, minimise losses to the Company, and change or form a positive case history for the Company:

Successful closing of the lawsuit (the case went through all instances, including the Supreme Court of the Russian Federation) initiated by the claim of minority shareholders of IDGC of the South to IDGC of the South and the Bank of Russia on invalidating the decisions of the Company's shareholders meeting, the Board of Directors and additional issues of the Company's shares.

The findings of the court made within the framework of this dispute are precedent for ROSSETI group of companies since they allow subsidiaries and affiliates to use financial assistance from ROSSETI allocated for the construction of especially significant power grid facilities without the risk of invalidating such transaction and returning the received funds due to the violation of the rights of minority shareholders expressed in the dilution of the stake of the latter.

In addition to ensuring the financial stability of the Company, financing of the power supply infrastructure development for the 2018 World Cup, the Company also excluded the potential risk in

the form of return of spent funds in the amount of RUB 1,922.796 mn (in case the claims of minority shareholders are satisfied and, as a result, additional issues of shares are invalidated).

Settlement of disagreements with the guaranteeing supplier of the Rostov Region, PJSC TNS Energo Rostov-on-Don, regarding the amount of unbalance of losses distributed among grid organisations of the region by signing a settlement agreement in the Court of Appeal on the terms of the refusal of PJSC TNS Energo Rostov-on-Don from recovery of RUB 166.9 mn of principal debt and RUB 55.8 mn as penalties (with the amount of claims for recovery amounting to RUB 330.8 mn: RUB 268.14 mn - for the principal debt and RUB 62.7 mn - for penalties).

Under the terms of the Settlement Agreement, the Company assumed obligations to pay the debt and the penalty in the total amount of RUB 45.2 mn, with RUB 38.4 mn - for principal debt and RUB 6.8 mn - for penalties, to reduce the amount of penalties imposed by the Company to recover from PJSC TNS Energo Rostov-on-Don from RUB 179,105.6 mn to RUB 109 mn. The eventual economic benefit of IDGC of the South amounted to RUB 152.8 mn.

Positive result on the dispute related to challenging the Tariff Balance Solutions: as the result of considering an appeal of the municipal stated owned enterprise Rostgorsvet on August 2, 2018, the Judicial Board on Administrative Cases of the Supreme Court of the Russian Federation managed to uphold the decision of the Rostov Regional Court dated March 27, 2018 on case No. 3a-221/2018 on refusal to satisfy Rostgorsvet's administrative claim on invalidating resolution No. 83/9 of the Regional Tariff Service of the Rostov Region dated December 27, 2017 "On the Adjustment of the Required Gross

Revenues of Rostgorsvet and individual tariffs for power transmission services for mutual settlements between Rostgorsvet and Rostovenergo (the branch of IDGC of the South) and between Rostgorsvet and Donenergo for 2018". As a result, the following risks were excluded: on the one hand, a risk of increasing RGR of Rostgorsvet and, on the other hand, a risk of reducing own RGR of Rostovenergo, the branch of IDGC of the South.

Refusal to meet the requirements of Volgogradenergosbyt to recover the cost of undistributed power losses (RUB 66.832 mn) in line with clause 190 of the Basic Operating Principles of Retail Electricity Markets approved by Resolution No. 442 of the Government of the Russian Federation dated May 4, 2012 "On Functioning of Retail Electricity Markets, full and (or) partial restriction of the electric energy consumption mode", which became the first precedent in the Volgograd Region for this category of disputes.

The reduction of the amount of penalties for late payment for services rendered under contracts No. 580/P, 577/P and 579/P in 2015–2016 for power transmission services over the Unified National (All-Russian) Electric Grid dated January 25, 2012 from RUB 253.4 mn to RUB 121.4 mn due to the exclusion of charging a legal penalty on the planned (advance) payments and the application of Art. 333 of the Civil Code of the Russian Federation, as well as the reduction of the amount of disputed debt under contract No. 580/P for power transmission services over the Unified National (All-Russian) Electric Grid dated January 25, 2012 from RUB 124.5 mn to RUB 72.6 mn, the amount of penalty - from RUB 98.2 mn to RUB 5.9 mn.

Preventing damage to IDGC of the South in the dispute related to claims to LLC Volgaenergaset for the recovery of unjust enrichment in the amount of RUB 25.6 mn in the form of cash received at the single-pot tariff of TGOs from consumers (LLC Aurora and LLC KZSMI) bypassing the settlement scheme established by the Regulator in the region, which resulted in

resolving contradictions in law enforcement practice: despite the conclusion of a direct contract between the allied grid organisation and the end consumer, the former is entitled to claim to receive payment for services only in the amount that is taken by the Regulatory Body when approving individual rates (in the amount of its RGR). According to the results of the legal dispute, the Company did not allow changes in the single-pot settlement scheme established in the Volgograd Region, according to which the Volgogradenergo branch and Municipal Unitary Production Enterprise VMES were (and remain, taking into account the findings of the Supreme Court of the Russian Federation) the payment recipients, thus the Company managed to stop the allied grid organisation from drawing-off the single-pot revenues and lending without interest at the expense of the Company and consumers of the Volgograd Region as a whole.

The reduction of the turnover-based fine from RUB 30.3 mn to RUB 0.7 mn calculated on charges of the violation of antitrust laws, allowing for the geographical boundaries of the commodity market, based on the location of consumers terminals (transformer substations), which was the first precedent in the Astrakhan Region.